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REFERENCE TITLE: IRA's taxed in other states

State of Arizona  
Senate  
Forty-sixth Legislature  
Second Regular Session  
2004

## **SB 1180**

Introduced by  
Senator Harper; Representative Boone

AN ACT

AMENDING SECTION 43-1022, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL INCOME TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1022, Arizona Revised Statutes, is amended to  
3 read:

4 43-1022. Subtractions from Arizona gross income

5 In computing Arizona adjusted gross income, the following amounts shall  
6 be subtracted from Arizona gross income:

7 1. The amount of exemptions allowed by section 43-1023.

8 2. Benefits, annuities and pensions in an amount totaling not more  
9 than two thousand five hundred dollars received from one or more of the  
10 following:

11 (a) The United States government service retirement and disability  
12 fund, retired or retainer pay of the uniformed services of the United States,  
13 the United States foreign service retirement and disability system and any  
14 other retirement system or plan established by federal law.

15 (b) The Arizona state retirement system, the corrections officer  
16 retirement plan, the public safety personnel retirement system, the elected  
17 officials' retirement plan, an optional retirement program established by the  
18 Arizona board of regents under section 15-1628, an optional retirement  
19 program established by a community college district board under section  
20 15-1451 or a retirement plan established for employees of a county, city or  
21 town in this state.

22 3. A beneficiary's share of the fiduciary adjustment to the extent  
23 that the amount determined by section 43-1333 decreases the beneficiary's  
24 Arizona gross income.

25 4. The amount of any distributions from an individual retirement  
26 account as provided for in section 408 of the internal revenue code or from a  
27 qualified retirement plan of a self-employed individual as provided for in  
28 section 401 of the internal revenue code to the extent that:

29 (a) Total adjustments made pursuant to this paragraph in all tax years  
30 do not exceed the total of all contributions made by the taxpayer to such  
31 plans prior to December 31, 1975, which were included in computing Arizona  
32 taxable income.

33 (b) TOTAL DISTRIBUTIONS IN ALL TAX YEARS DO NOT EXCEED THE TOTAL OF  
34 ALL CONTRIBUTIONS TO SUCH PLANS THAT WERE SUBJECT TO TAXATION IN ANOTHER  
35 STATE.

36 5. The amount of income on an installment receivable which is  
37 recognized pursuant to the internal revenue code and which has already been  
38 recognized on the death of the taxpayer for purposes of this title for tax  
39 years ending before January 1, 1990.

40 6. Interest income received on obligations of the United States, less  
41 any interest on indebtedness, or other related expenses, and deducted in  
42 arriving at Arizona gross income, which were incurred or continued to  
43 purchase or carry such obligations.

7. The amount of any income tax refunds which were received from states other than Arizona and which were included as income in computing federal adjusted gross income.

8. Annuity income included in federal adjusted gross income pursuant to section 72 of the internal revenue code if the first payment with respect to such annuity was received prior to December 31, 1978.

9. The excess of a partner's share of income required to be included under section 702(a)(8) of the internal revenue code over the income required to be included under chapter 14, article 2 of this title.

10. The excess of a partner's share of partnership losses determined pursuant to chapter 14, article 2 of this title over the losses allowable under section 702(a)(8) of the internal revenue code.

11. The amount by which the adjusted basis of property described in this paragraph and computed pursuant to this title and the income tax act of 1954, as amended, exceeds the adjusted basis of such property computed pursuant to the internal revenue code. This paragraph shall apply to all property which is held for the production of income and which is sold or otherwise disposed of during the taxable year other than depreciable property used in a trade or business.

12. The amount allowed by section 43-1024 for amortization, by a qualified defense contractor certified by the department of commerce under section 41-1508, of a capital investment for private commercial activities.

13. The amount of gain included in federal adjusted gross income on the sale or other disposition of a capital investment that a qualified defense contractor has elected to amortize pursuant to section 43-1024.

14. The amount allowed by section 43-1025 for contributions during the taxable year of agricultural crops to charitable organizations.

15. The portion of any wages or salaries paid or incurred by the taxpayer for the taxable year that is equal to the amount of the federal work opportunity credit, the empowerment zone employment credit, the credit for employer paid social security taxes on employee cash tips and the Indian employment credit that the taxpayer received under sections 45A, 45B, 51(a) and 1396 of the internal revenue code.

16. The amount of prizes or winnings less than five thousand dollars in a single taxable year from any of the state lotteries established and operated pursuant to title 5, chapter 5, article 1, except that all such winnings before March 22, 1983, including periodic distributions from such winnings made after March 22, 1983, may be subtracted.

17. The amount of exploration expenses that is determined pursuant to section 617 of the internal revenue code, that has been deferred in a taxable year ending before January 1, 1990 and for which a subtraction has not previously been made. The subtraction shall be made on a ratable basis as the units of produced ores or minerals discovered or explored as a result of this exploration are sold.

18. The amount included in federal adjusted gross income pursuant to section 86 of the internal revenue code, relating to taxation of social security and railroad retirement benefits.

19. To the extent not already excluded from Arizona gross income under section 112 of the internal revenue code, compensation received for active service as a member of the armed forces of the United States for any month during any part of which the member served in a combat zone as determined under section 112 of the internal revenue code or in an area given the same treatment as a combat zone for purposes of section 112 of the internal revenue code.

20. The amount of unreimbursed medical and hospital costs, adoption counseling, legal and agency fees and other nonrecurring costs of adoption not to exceed three thousand dollars. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed three thousand dollars. The subtraction under this paragraph may be taken for the costs that are described in this paragraph and that are incurred in prior years, but the subtraction may be taken only in the year during which the final adoption order is granted.

21. The amount authorized by section 43-1027 for the taxable year relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

22. With respect to a medical savings account established pursuant to section 43-1028:

(a) An eligible individual may subtract:

(i) The amount of contributions made by the individual's employer during the taxable year to the individual's medical savings account pursuant to section 43-1028 to the extent that the employer contributions are included in the individual's federal adjusted gross income.

(ii) The amount deposited by the individual in the account during the taxable year to the extent that the individual's contributions are included in the individual's federal adjusted gross income.

(b) The individual's employer may subtract the amount of contributions made by the employer to a medical savings account established on the individual's behalf to the extent that the contributions are not deductible under the internal revenue code.

23. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to section 43-1029, subsection F exceeds the net operating loss carryover or capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

24. Any amount of qualified educational expenses that is distributed from a qualified state tuition program determined pursuant to section 529 of the internal revenue code and that is included in income in computing federal adjusted gross income.

1       25. Any item of income resulting from an installment sale that has been  
2 properly subjected to income tax in another state in a previous taxable year  
3 and that is included in Arizona gross income in the current taxable year.

4       26. The amount authorized by section 43-1030 relating to holocaust  
5 survivors.

6       27. The amount authorized by section 43-1031 for constructing an energy  
7 efficient residence.

8       28. With respect to property for which the depreciation allowance  
9 pursuant to section 168(k) of the internal revenue code was added under  
10 section 43-1021, paragraph 27, an amount equal to three-sevenths of the  
11 amount of depreciation allowed pursuant to section 167(a) of the internal  
12 revenue code as computed on the adjusted basis provided pursuant to section  
13 168(k)(1)(B) of the internal revenue code.

14       29. With respect to property that is sold or otherwise disposed of  
15 during the taxable year by a taxpayer that complied with section 43-1021,  
16 paragraph 27 with respect to that property, the amount of depreciation that  
17 would have been allowed pursuant to section 167(a) of the internal revenue  
18 code computed without regard to section 168(k) of the internal revenue code  
19 to the extent that the amount has not already reduced Arizona taxable income  
20 in the current or prior taxable years.

21       Sec. 2. Retroactivity

22       This act applies retroactively to taxable years beginning from and  
23 after December 31, 2003.